

**The Last Stop
Disposal By Public Sale
The Good, The Bad and The Ugly
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The Last Stop - Disposal by Public Sale - The Good, The Bad and The Ugly

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The last school system just left the facility with the final load of items selected from the excess screening lists. All screening is now complete and all donations have been made. The warehouse is still almost full of surplus property and the field offices are screaming wanting to deliver more. Now, what are you going to do? Federal Property Management Regulations don't permit burying or burning as disposal alternatives. Sell it? Why of course! Your GSA regional office can't service you for six months so you decide to conduct a public sale of the government-owned property sitting in your warehouse. The next decision to make - Which method of sale are you going to choose? Sealed Bid? Auction? Spot Bid? Negotiate a price? Fixed price sale? "Help", you cry out in panic and confusion. Let's take a look at the sales choices and decide on which type sale is best for you.

First, the **Sealed Bid** process has been around for years as a well established, convenient method of selling your personal property. It offers a confidential bidding atmosphere and time for the bidder to examine the market after reviewing the property to establish his price to offer. It forces the bidder to commit to his price offer by demanding a cash deposit, some or all of which is surrendered if the bidder changes his mind. However, in this later case even though you are still stuck with the property, you have been compensated for the offering. The terms and conditions of the sale are identified and spelled out as part of the solicitation for bidding invitations. Each bidder then is responsible for knowing the sales rules and all bidders are treated fairly and honestly. This type sale lends itself to machine tools, heavy equipment and other large property items where each piece would be considered a lot. Some miscellaneous electrical job surplus i.e. rolls of cable, conduit, transformers, switch gear and installation components can be sold by the pallet or palletainer as one lot. Also, electronic surplus i.e. packaged components, hardware, and computer equipment, as well as plumbing supplies i.e. piping, tees, ells, unions, etc., are excellent candidates for sealed bid type sales.

You might want to consider scrap metal as another commodity for sealed bidding. Only in this case it needs to be sold by units of measure such as gross tonnage or by the pound instead of by the lot. The reason is because scrap metal has value determined by daily fluctuations in scrap metal market conditions. It is appropriate to index to a local or regional market for either ferrous or nonferrous metals to gain the most value from your scrap pile. These sales agreements are most advantageous for annual or quarterly generation also. As the market fluctuates, the price paid to you is reflective of the market price protecting both the Purchaser and you the seller. The Purchaser isn't forced to pay more than the market will bear during lean times, which could seriously damage his Company, and the Seller is protected by always receiving the same margin of value for the scrap from the index.

Scrap metal sales can be very exciting since this is a very competitive market as scrap dealers thrive on collecting scrap and holding it until bullish market conditions exists. Then it is sold for profit. This author can remember conducting scrap sales when dealers from all over the region attended the public bid opening for the opportunity to purchase the accumulation of a scrap pile for the next six months or one year period. As each bid was opened and publicly announced, that bidder would smile while the others would jester and sneer. One bidder would be successful. The others would leave, one or two throwing chairs across the room upon leaving, some spinning tires on the way out of the parking lot, some hanging their heads and one or two bidders waiting outside the door to attempt to partner with the successful bidder.

Other commodities to consider for sealed bidding and handled just like scrap metals are plastics, paper and cardboard and glass. All follow a market index and are continuously generated. Although the revenues are low for these items, the alternative disposal costs can be very expensive.

The shortcomings of the sealed bid sale are the time required to advertise, preview the property, conduct the sale, make awards and notify buyers, and transfer the property to the buyers can be very lengthy, consuming three to four weeks. Care must be taken also to deliver the right lot to the Purchaser. Lots stored inside a warehouse for two weeks following a sale can become compromised due to outright pilferage by dishonest buyers or by moving skids of property adjacent to the lot of material to the loaded causing pieces to fall off. Because of this good inventory records including photographs or videotapes are necessary to reconstruct the original lot configuration. Another method to preserve the lot integrity following a sale is to drape each skid with shrink-wrap. Never allow Purchasers to wait alone inside the warehouse area. An employee must always accompany the Purchaser for the following reason.

Following one particular sealed bid sale I conducted, a Purchaser was waiting for a material handler to assist him in loading his machine from a row of similar machines when he noticed no one else was in the warehouse. When the material handler returned from assisting another Purchaser, he proceeded to the lot number specified on the invoice and delivered that machine to the Purchaser. One week later, the Purchaser of the adjacent machine arrived to pick up his equipment. When he received his machine, the Sales contracting officer, which was me, was called because this machine matched the description of the other machine sitting beside it that had been loaded one week earlier. The first Purchaser left alone for only a moment in the warehouse had switched the lot numbers of the two machines. That episode resulted in the sales contracting officer compensating the Purchaser to whom damage had been done and attempting to retrieve the machine and collect damages from the other Purchaser.

A case in point for capturing the sale on video or making photographs. A bidder, after being notified he was successful in his attempt to purchase a lot of fifteen pallets of computer salvage, complained some of the items in the lot were missing and felt an adjustment to his purchase price was justified. When this author arrived to inspect the lot with video in hand, the Purchaser said, "Oh! I didn't know you made pictures of this stuff. Well, maybe it's here, it just looks different, I guess I was wrong." Oh, a lot preserved for future reference on video or film can be priceless.

Other shortcomings of **sealed bid sales** include extra manpower for the collection and retention of bid deposits, physically recording and analyzing bids and the clerical efforts involving notification of all bid participants of the sales results and the associated cashier functions.

Perhaps the most popular or most revered type of sale is the **Auction**. This procedure involves several people, is spontaneous, quick and decisive. Ring men or spotters, as some refer to them, are the keys to a successful auction. The number of ring men is dependent on the size of the crowd and the amount of space required for display of the articles for sale. The auctioneer need not be flashy although many are. His job is to call bids in a clear, accurate manner as they are offered from the crowd and to sell to the highest bidder quickly and honestly. He relies heavily on his ring personnel to point out those bids to him. Auctions are noisy and fast paced and generally somewhat entertaining. If a high volume of inventory is to be sold quickly, an entire warehouse has to be liquidated in a short time or you can't afford to wait for the right offer to walk by, the auction is probably your quickest source to turn your inventory into cash.

Unless you have the knowledge, licensed personnel and resources to conduct an auction, the best bet is to hire professionals. An auctioneer usually has an assistant, three or four spotters, clerks, and several cashiers plus ground personnel for crowd control and setup and registration of bidders. The number of auction personnel required varies with the size of the auction.

Another drawback is the fee you pay the auctioneer eats away at your profit, so you must negotiate as low a fee as possible. Fees, like auctioneers, do vary and sometimes widely. Shop around for the best deal. Real estate is almost always sold at auction. When estates are involved, probate courts dictate a liquidated settlement be made to the “old home place or farm” which is to be distributed among the heirs, or when a large parcel of land is subdivided into building size lots. Personal property, described as personal belongings, historically generates low dollars especially when the auctioneer’s fee is included; however, the items are sold quickly. Personal property items most suitable for auction include vehicles, heavy equipment items, both industrial and farming; metal working equipment, antiques, tobacco and cattle.

Auctions fall into two (2) distinct categories, **absolute and reserve**. An **absolute auction** means **all** items offered for auction will be sold at some price. More buyers attend because they know everything offered will be sold. The other type of auction is the **reserve auction**, which simply means there is a minimum starting bid required or the item is pulled from the auction block and retained. This deters some buyers who would otherwise attend the sale. Auctioneers don’t generally relish the idea of selling personal property because the value of each item is small and the total auction proceeds really don’t “pay their way”. To compensate, the auctioneer usually charges a higher percentage fee to generate a respectable profit for his firm. Some auctioneers will invoke a **buyer premium**, which is actually designed to generate more profit or fee for the auctioneer. This shifts the burden of paying the auctioneer’s fee from the Seller or Client to the Purchaser. It is used when there is either little money to be generated from the sale, the Client (Seller) doesn’t have funds to pay the auctioneer or, in the case of an estate sale, there are no heirs to collect from. Sometimes the buyer’s premium approach is employed by the auctioneer as a marketing tool to entice the Seller to hire him when the auctioneer’s fee becomes a deterrent. As you can see, while the auction process offers speed, fast cash and almost all ways guarantees a clean warehouse, it costs money to conduct which comes out of the revenues generated by an auction. Judge for yourself by examining objectives set before you and the motivations to liquidate and determine if an auction is what you want or need. It could be another sales method is better suited to your needs.

Hey! You say the auction process sounds good, but my Company doesn’t have the funding to support paying an auctioneer nor the resources I need and the process is really what you need. OK! There is an alternative. It is called the **Spot Bid** process or **silent auction**. This process can be performed in the warehouse by a staff of six people or less in three weeks time from advertising to awarding the sale items to buyers. Spot bid cards about 3 X 5 inches in size are used to collect the information from bidders. The pre-printed cards contain a space for recording the bid amount, the bidder name and bidder number, the lot number being bid and a space for the bidder to sign his name. Any sale rules and disclaimers are also printed on the card or on accompanying documents. During the spot bid inspection cycle, bidders insert the cards into a locked collection center located at the inspection site, one slot for each lot offered on the sale. The boxes in the collection center remain locked during the bidding process. The inspection period varies, but needs to be long enough to allow for bidders to travel to the sale location for inspection. At the time established for public bid opening, the sales coordinator has an assistant unlock the boxes; cards from each box in turn are removed. Sales assistants sitting around a table sort and compare bid prices on the cards until the highest price offered is found. After that price is verified as the highest price, the sales coordinator reads aloud into a public address system the name of the successful bidder and his bid price. This process continues until every box has been opened and the high bid announced. The successful names and prices are posted at the sales site and the winners are contacted to arrange for payment and removal of their newly purchased treasures. One or more cashiers are available at the sale’s location at the specified time for payment as well as material handlers who are also available as required to load the sold items.

The **Spot Bid** sale offers the attributes of an auction without the expense of an auctioneer and allows you to maintain all the proceeds. However, there are several drawbacks to consider. It requires a dedicated staff to conduct the sale, monitor and police the crowd during inspection and removal processes, and prepare the warehouse and equipment for sale. Sometimes this also requires borrowing employees temporarily from other areas i.e. cashiers and assistants on sale day. Also, there is no deposit collected from the bidder. If the Purchaser changes his or her mind and decides not to pay for the items awarded to them; you are stuck with the item in the warehouse until the next sales opportunity. The only recourse is to debar the bidder from future sales.

There are other options? The fixed price negotiated sale process as specified in DOEPMR 109-45.304-2-50 allows property to be sold out of the warehouse on a “cash and carry” basis. A store can be set up by allocating floor space to receive surplus items that have survived the donation screening process. This type sale lends itself to both employees and the general public who can come by the warehouse store before or after working hours and purchase small items without going through a formal bidding process. The pre-priced store is scheduled to be open only at designated hours. Every item is tagged with the price clearly marked. Buyers can take the tag from the item(s) to the cashier’s window, pay for it and immediately take it home. Several methods can be employed to be successful in operating a warehouse store. Several computerized sale programs are available. Quick Sale 2000 is one of many commercially available. This particular program offers bar coding of the price on the sales tags. The barcode is read directly into the computer. An invoice is generated including the sales taxes for each item. The cashier can see at a glance the total price to be collected without having to manually calculate the prices. The purchaser is given receipts for the purchased items that are presented to warehouse personnel for withdrawal of the newly bought treasures.

Furniture and small computer components are popular items to be sold at warehouse pre-priced sales. Small workshop items, office supplies and filing cabinets are always items highly sought after at these sales. Obviously, small household type items are only to be considered for these sales.

Several advantages are the warehouse doesn’t collect and accumulate a large backlog of items since the sales keep items cleared out creating floor space for newer items being received. Also, employees and the general public can buy quickly without having to endure pricing competition from other bidders and wait on the award process that can take several days.

Disadvantages of pre-priced sales include items are sold on a “first come-first served” basis. The best most popular items are sold early and if the buyer is not fortunate to be near the front of the line, the treasured item desired might be lost to the person in front of them. There is the probability that several items will not be sold during the sale due to unpopularity, out of style, antiquated, or the item was not a good selection for the sale or the price was not competitive with other area sales. The Property Manager and Property Sales Staff are then faced with how to dispose of the leftovers. Knowledge of what items sell, what the competitive price range should be and determining the correct timing to attract buyers are all to be considered when making the decision to open a warehouse store. Experience in selling, analyzing the history of past sales trends for pricing and item popularity are important to access how to go about creating a successful store.

This type of sale should be used in conjunction with other sales methods and should not be relied on as the sole source for selling property. It should be noted also that as mentioned at the beginning of this section, only small items should be sold this way. Machine tools, cars and trucks, various instruments and larger items should be sold by sealed bid, auction, or perhaps, spot bid. A good sales department should know which method or methods work best to sell property for your particular situation.

There is still another way to market and sell your personal property. If you have a full warehouse and no place to store anything else, or have limited space, you might want to consider entering into a term sales agreement with a brokerage firm. This firm will take your entire inventory on a consignment basis and remove your material to their location for resale.

The inventory is transferred to them; however, you are paid only a percentage of the selling price after each item is resold by the brokerage firm. You could also enter into an arrangement to be paid a certain “flat rate” price for the inventory when it is transferred from the warehouse. But, in this case, your payment would be small in comparison to what you would receive after the items are resold because your inventory is being bought virtually unseen without the benefit of appraisals to assess the value of the inventory. If this method of sale is chosen, appraisals need to be made by your staff first and then an exhaustive inventory needs to be made to provide some comfort level of value before you decide to sell just to get rid of it.

At this point you see several problems with this type sale. Much time and manpower are required to assemble your personal property inventory for sale. You also must be familiar with your brokerage firm by association or through references. Otherwise, you could see your inventory leave the warehouse and no further payments received for your material. Also, honesty can come into question if the inventory you provide is compromised or especially if you allow the broker to inventory it himself. Thirdly, what assurance do you have that the profit share you receive from the resale of your property is accurate? Record keeping is paramount and requires extra personnel support to maintain the reporting requirements. Site visits periodically to the broker’s warehouse might also be required to perform satisfactory audits and insist contractually to review his records before you enter into such an arrangement.

Are you ready to tackle your own sales? Your sales staff must be dedicated, educated and creative in its quest for establishing and maintaining the optimum in getting the maximum return for whatever is sold. Proper markets must be identified to find the highest price and the appropriate buyers.

There is yet another way to sell your personal property, **Negotiated Sales at Fixed Price**. This type sale may be used when it is determined that the best interest to the Government is adequately protected and the sale is justified on the basis of circumstances as follows. (FPMR 101-45.304.6).

- 1) No acceptable bids have been received as a result of formal competitive bidding under a suitably advertised sale;
 - 2) Property is of such small value that the proceeds to be derived would not warrant the expense of a formal competitive sale;
 - 3) The disposal will be the States, territories, possessions, political subdivisions thereof, or tax-supported agencies therein, and the estimated fair market values of the property and other satisfactory terms of disposal are obtained;
 - 4) The specialized nature and limited use potential of the property would create negligible bidder interest;
 - 5) Removal of the property would result in a significant reduction in value, or the accrual of disproportionate expenses in handling; or
 - 6) It can be clearly established that such action is essential to the Government's best interest.
- (Department of Energy – Property Management Regulation 109-45.304.2.)

Remember though that DOE approval is required on negotiated sales agreements in which the acquisition cost of property other than scrap exceeds \$1,000.00.

Typical property items that you might want to consider negotiating a sales price include hazardous chemical items where the market is very limited and the Purchaser must meet local as well as Company regulations or restrictions. Where you only have one Company providing a service, such as removal of waste motor oils from your facility, it is best to negotiate the price and terms directly with that firm.

Rather than dismantle an installed system, such as a telephone system or air conditioning system, and package the items for shipment and then pay the transportation costs to return it, it is generally cheaper and more expedient to sell the in-place system to the new owner. Also, the removal could leave a hole in the floor or wall of a building that would require repair; another expense which could be avoided by direct sell.

Although school systems and city/county municipalities usually obtain government-owned property directly by screening items from published excess lists, they may also purchase government surplus equipment by sending a letter of request from the school superintendent or the mayor or county executive's office itemizing the equipment needs. When those items are located and deemed to be available for sale, a simple negotiated sales document is prepared and the equipment sold directly to the school or municipality at the established fair market price.

Anything that is not real estate is defined to be personal property. This author has sold many exotic things over the past thirteen years. The range is endless, but some of the most memorable things include the sell of the used cooking grease from the plant cafeteria deep-fry vats. The cooking grease is recycled into flavoring for pet foods and is also transformed into ingredients to make ladies cosmetics. Mercaptan, a product used to put the smell into natural gas giving it the distinctive odor to detect leaks, was sold to an area Utility. At one time, eighteen (18) nanny goats, used for laboratory experiments, were even sold as personal property items to an area farmer.

It's a fun business and a very rewarding business. Be creative, but above all, have fun.

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